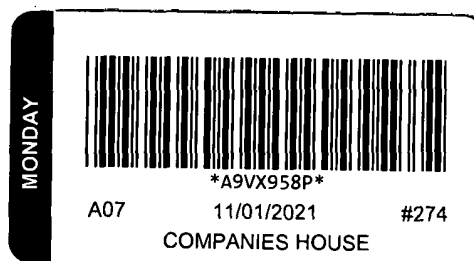


COMPANY REGISTRATION NUMBER: 3357718

UP Global Sourcing UK Limited

Financial Statements

31 July 2020



UP Global Sourcing UK Limited

Financial Statements

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UP Global Sourcing UK Limited

Officers and Professional Advisers

Year ended 31 July 2020

The board of Directors

S Showman
A Gossage
D Bloomfield
G Screawn

Company secretary

G Screawn

Registered office

Manor Mill
Victoria Street
Chadderton
Oldham
OL9 0DD

Auditor

BDO LLP
Chartered Accountants & Statutory Auditor
3 Hardman Street
Spinningfields
Manchester
M3 3AT

Bankers

HSBC
1st Floor
4 Hardman Square
Spinningfields
Manchester
M3 3EB

UP Global Sourcing UK Limited

Strategic Report

Year ended 31 July 2020

The Directors present their Strategic Report for the Company for the year from 1 August 2019 to 31 July 2020.

Overview

The Company is the owner, manager, designer and developer of a series of well-known brands focused on the home, selling to over 300 retailers across 37 countries. It has six major product categories: Audio; Heating and Cooling; Housewares; Laundry; Luggage and Small Domestic Appliances.

Its products are sold to a broad cross-section of both large national and international multi-channel retailers as well as smaller national retail chains, incorporating discount retailers, supermarkets, general retailers and online retailers.

Founded in 1997, the Company is headquartered in Oldham, Greater Manchester, where it has design, sales, marketing, buying, quality assurance, support functions and warehouse facilities across two sites. In addition, it has offices and showrooms in Guangzhou, China and Cologne, Germany.

Review of the business

The year was one of unprecedented challenge which the Company responded to exceptionally well. Despite the challenges of COVID-19, revenue only saw a modest reduction of 6.1 % to £115.7 m (2019 – £123.3 m) as stores that governments classified as non-essential closed and demand for general merchandise was subdued. This reduction in revenue was partially offset by an increase in demand via our online channels. Sales to discounters fell by £19.9 m or 30.8 % reflecting the fact that discount retailers were more likely to be closed as non-essential stores compared to other segments. In contrast, supermarket revenue experienced robust growth, increasing by £8.0 m or 39.9 %. This segment now accounts for 24.3 % of overall revenue. Overall revenues normalised during June and July 2020 as non-essential stores reopened and retailer purchasing recommenced.

Gross margin was up 0.9 % at 23.0 % (2019 – 22.1 %) as a result of a changing customer mix. Notably, online sales, which achieve a higher gross margin, saw a strong increase in share of sales from 9.2 % to 14.5 %.

The Company's EBITDA for the year was £9,771,000 (2019 – £9,659,000) as a result of lower administrative expenses, reflecting the reduction in performance related bonus costs, Coronavirus Job Retention Scheme credits and a reduced spend on exhibition and travel costs.

As the Company's profitability and cash generation for the year was stronger than initially expected, the Directors took the decision in August 2020 to repay the £466,000 claimed under the Government's Coronavirus Job Retention Scheme.

The balance sheet remains strong with a significant reduction in net bank debt and the Company continues to maintain comfortable levels of headroom within its facilities and operate well within its banking covenants.

UP Global Sourcing UK Limited

Strategic Report

Year ended 31 July 2020

Principal risks and uncertainties

Macroeconomic factors

Macroeconomic trends affecting consumer confidence and retail demand, including those as a result of Brexit and COVID-19 (discussed below), represent a principal risk for the Company.

The company seeks to mitigate this risk by increasing its market share through new customer relationships, expansion internationally and from growth in online channels.

Brexit

Following the UK's departure from the EU in January 2020, there remains considerable uncertainty around future trading arrangements after the transition period. Such economic and political volatility continues to contribute to an already challenging retail market. A 'no deal' Brexit could result in a further weakening of Sterling, border disruption and the introduction of trade tariffs, putting additional pressure on gross margin and adversely impacting upon consumer demand and trading performance.

The Board continues to monitor developments in this area and assess the potential impact of Brexit on volumes, margin and supply chain to ensure that the business is well prepared and able to adapt to the eventual outcome.

The Company maintains a foreign exchange hedging policy to mitigate the impact of short-term currency fluctuations. The Company's international sales also offer economic diversity and some protection against movements in Sterling.

Only a small proportion of the Company's international sales are conducted over an EU border (the majority being carried out on either an FOB or direct delivery basis), therefore the impact of Brexit upon turnover and margins is considered to be manageable. Similarly, a substantial majority of the Company's products are sourced from China and are therefore already subject to World Trade Organisation rules, therefore the impact of trade tariffs upon purchases is expected to be minimal.

COVID-19

The Company could experience supply chain disruption in the event that factories are closed in future lockdown scenarios. Demand side could also suffer disruption due to the closure of non-essential retail stores. Operations could be impacted by employee absenteeism and travel restrictions as a result of the virus.

Established practices, initiated during the first lockdown, are in place for our colleagues in China to follow in order to manage supply chain disruption.

Demand for the Company's products is partially protected by its range of customers including supermarkets, who typically remain open during a lockdown, along with its online platforms which, similarly, continue to operate and become consumers' main channel for buying general merchandise during a lockdown.

UP Global Sourcing UK Limited

Strategic Report

Year ended 31 July 2020

COVID-19 (continued)

Measures to protect the Company's employees include home-working to reduce numbers at the office and facilitate social distancing, as well as a comprehensive range of strict safety measures to safeguard those colleagues working at the Company's sites against the spread of the virus.

The Board continues to monitor the situation in each of the countries in which the Company operates, in order that it can react to the latest local Coronavirus guidelines and respond to changing dynamics by implementing protective financial and operational measures when necessary.

Competitive pressures

Competitive pressures also remain a principal risk for the Company. The Company protects itself from this risk by focusing on quality of product and service levels, coupled with continuous development of new products to offer uniqueness to the customer. Furthermore, the Company's focus on offering its customers a branded product range provides some protection to its competitive position in the market.

Stock management

Stock obsolescence risk is managed through closely monitoring slow moving lines and prompt action to manage such lines through the various distribution channels available to the Company.

In addition, the Company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, foreign currency risk and interest rate cash flow risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by regularly monitoring the financial risks referred to above.

Price risk

The Company's profitability is affected by price fluctuations in raw materials and labour used in the manufacture of its products. The Company continually monitors the price and availability of materials and labour but the costs of managing the exposure to price risk exceed any potential benefits given the extensive range of products and suppliers. The Directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Credit risk

The Company's sales are primarily made with credit terms, exposing the Company to the risk of non-payment by customers. The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed regularly by the board. In addition, the Company maintains a suitable level of credit insurance against its debtor book.

Foreign currency risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company's exposure to foreign currency risk is partially hedged by invoicing a proportion of its turnover in US Dollars. In addition, the Company operates a hedging policy and uses foreign exchange forward contracts to further mitigate this exposure.

UP Global Sourcing UK Limited

Strategic Report

Year ended 31 July 2020

Interest rate cash flow risk

The Company's interest bearing liabilities relate to variable rate banking facilities. These are described further in notes 19 and 20 to the Financial Statements. The Company has a policy of maintaining a portion of its banking facilities under the protection of interest rate swaps and caps to ensure the certainty of future interest cash flows.

Liquidity risk

The Company is part of the UP Global Sourcing Holdings plc Group (the "Group") which is funded by external banking facilities provided by HSBC, which, as described in note 19 were refinanced on 1 October 2019 under a five-year agreement which runs until 2024. The facilities comprise a combination of a revolving credit facility along with trade based facilities which are designed to ensure the Company has sufficient available funds for operations and planned expansions.

Key performance indicators ("KPIs")

The Company uses a range of financial and non-financial key performance indicators in order for the Directors to monitor and measure the current and forecast performance of the business with respect to the budget and prior year. With regard to financial KPIs, amongst others, the Directors measure the profitability of the business, the development of the order book and gross margin and key working capital components along with the level of bank debt. Profitability measures include monitoring the EBITDA and turnover as referred to in the review of the business above. Non-financial KPIs include monitoring service levels and product quality within the supply chain and the overall headcount of the business.

Future prospects

The market conditions for general merchandise remain challenging in the UK and UP Global Sourcing UK Limited, like many others, is faced with an uncertain environment for consumers, retailers and suppliers. Despite these challenges, the Company has delivered a good set of results for the year ended 31 July 2020 through a relentless focus on our strategy and the talents of our colleagues. Whilst the conditions in the UK and Europe look set to remain challenging, with further COVID-19 restrictions in place, current trading is in line with expectations with the current year order book ahead of this time last year. As such, the Board remains confident about the Company's future prospects.

UP Global Sourcing UK Limited

Strategic Report

Year ended 31 July 2020

Section 172 Statement

Statement by the Directors in performance of their statutory duties in accordance with Section 172(1) Companies Act 2006

The Board of Directors ("the Board") consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole (having regard to the stakeholders and matters set out in section 172(1) (a-f) of the Act) in the decisions taken during the year ended 31 July 2020.

Information and examples of how the Company engages with key stakeholders can be found below.

Stakeholder engagement

UP Global Sourcing UK Limited's stakeholders include its employees, customers, suppliers, shareholders and lenders. The Board recognises the need to regularly review and consider who its stakeholders are as it makes decisions. The Board encourages the development of long-term relationships with the Company's stakeholders in accordance with the Company's culture and values, with the ongoing desire to be a trusted, best-in-class partner to all stakeholders equally.

Employees

Our colleagues are fundamental to our success, our purpose and to delivering on our promises to our stakeholders.

We invest in our people. Whether recruiting new employees or developing our existing teams, our goal is to ensure that we foster a business culture that enhances talent and enables people to fulfil their potential. A variety of career paths, development schemes, support structures and staff recognition programmes are in place to provide a framework for staff retention, career development and future success. Such schemes include:

- Graduate Scheme - the Company's Graduate Development Scheme continues to be highly successful in recruiting and developing talented graduates, through entry-level positions, across all areas of the business.
- Introduction to Leadership - Leadership development is crucial to the future success of the business and, as our teams grow, the development of future leaders will be a key element in our succession planning. Our annual Introduction into Leadership course continues to be a positive first step in providing talented future leaders with the foundational skills required to progress their careers into management.

UP Global Sourcing UK Limited

Strategic Report

Year ended 31 July 2020

Employees (continued)

- **Women in Leadership** – the Women in Leadership initiative, whereby female members of our senior management team mentor our future female leaders, is an integral part of the leadership development offered to our female colleagues. Due to the success of the Women in Leadership scheme, a similar initiative has been set up for future male leaders with our Managing Director acting as the chair of the group.
- **Mentoring programme** – the mentoring programme was launched to identify and equip colleagues to become mentors across all departments. The programme provides these new mentors with the necessary skills, confidence, understanding and best practice concerning the support, motivation and guidance of new colleagues through the first two years of their employment with the Company.

We understand the importance of listening to our team and providing the opportunity for colleagues to share their views, thus enabling positive working experiences and the fostering of conditions favourable to business growth and development. All our people are given a voice to share their views and raise suggestions, through regular meetings of the Employee Consultation Group and through the annual Employee Engagement Survey. This year's survey provided encouraging feedback, affirming that the business is making good progress with its aim of attracting and retaining talented individuals. Comments from the survey, included the need for the Company to upgrade its current head office workspace in order to offer a more innovative and modern working environment. The Company acted upon this, committing to a modernisation project of its Manor Mill head office site, with completion due in 2021.

Customers

We understand our customers' needs, markets and their customers, carrying out in-depth research and conducting store visits to support our understanding, so that we can present the products that exceed their expectations. We engage with our customers in many ways but we prefer, above all, to meet in person or virtually, at one of our showrooms in Oldham, Cologne or Guangzhou where we can showcase our wide range of products and help them visualise how they may be presented in store. We monitor product ratings and feedback so that we can further improve products or, for example, produce videos and "how to" guides, helping consumers get the most out of their purchases.

Suppliers

We regularly engage with our suppliers via face-to-face meetings and attendance at trade shows. With international travel severely impacted by the pandemic, having a team of local sourcing, ethics and quality colleagues in China has allowed us to continue to have regular engagement with our Far East suppliers at their factories.

We ensure that we source products in a responsible manner and require our suppliers to commit to our ethical trading policies, including compliance with both the Ethical Trading Initiative Base Code and the Modern Slavery Act. Our suppliers are regularly audited to confirm that they meet the necessary standards.

UP Global Sourcing UK Limited

Strategic Report

Year ended 31 July 2020

Suppliers (continued)

We have high expectations of our suppliers but we recognise our responsibilities and commit to prompt payment according to agreed terms.

Shareholders and lenders

The Company is a wholly owned subsidiary of UP Global Sourcing Holdings plc, a company listed on the London Stock Exchange. The Directors of UP Global Sourcing Holdings plc have regular meetings and engagement with its institutional and private investors as well as with analysts and lenders in order to explain its strategy, progress and plans, and to share how they are addressing any market challenges.

Local community

The Company continues to support charitable organisations that are integral to the local community, many of which had been nominated by our employees as important causes to be involved with, by raising funds through fundraising events organised by our Charity Committee.

This year the Company has increased its efforts to support, engage with and positively contribute to the local communities within which it operates. A Community Engagement team of 22 committed employees was formed, thus creating a wider pool of resource available to engage with a much bigger network of groups within the community and enable us to provide a greater level of support.

Following the onset of the COVID-19 pandemic, the Company took steps to help its local communities, actively seeking local initiatives that required our support. Our goal was to support the most vulnerable and ensure that we could make an immediate positive difference to their lives. Such initiatives included supporting NHS and frontline staff by donating supplies of facemasks, the provision of household essentials for distribution amongst the most vulnerable households in Oldham, the donation of £10,000 to local charity "Action Together", and the creation of the UP Small Grants Fund, offering small grants of up to £250 to disadvantaged young people to help them with the costs associated with the transition into work or further education.

Environment

We recognise that the environment and its natural resource are incredibly precious. We take our responsibilities in this regard very seriously and are constantly looking for opportunities to reduce the effects of climate change and actively promote the protection of our environment.

The Company has recently formed an Environmental Committee, represented by passionate employees to research and present new ideas to the Board on how the Company can reduce its impact on the environment.

UP Global Sourcing UK Limited

Strategic Report

Year ended 31 July 2020

Doing the right thing

We have developed robust, responsible policies and practices that guide what we do and how we work with others. The policies, statements and guidelines we rely upon include, but are not limited to, the following:

- Anti-bribery and Corruption Policy;
- Data Protection and GDPR Policy;
- Equality Policy;
- Environmental Policy;
- Whistleblowing Policy;
- Health and Safety Policy;
- Modern Slavery Statement; and
- Quality Policy.

Doing the right thing, as one of our core values, sets the tone for how the Board acts, not only with respect to our stakeholders but in all its business interactions. With this in mind, when trading performance had sufficiently improved following the initial impact of the COVID-19 lockdown, the Board felt that it was appropriate to repay all amounts claimed under the government's Coronavirus Job Retention Scheme, along with bringing up to date all PAYE and VAT payments (see note 31).

The Strategic Report was approved by the board of Directors on 11 December 2020 and signed on its behalf by:



G Screawn
Director

UP Global Sourcing UK Limited

Directors' Report

Year ended 31 July 2020

The Directors present their report and the Financial Statements of the Company for the year ended 31 July 2020.

Principal activities

The principal activity of the Company during the year was the supply of branded household products.

Directors

The Directors who served the Company during the year were as follows:

S Showman
A Gossage
B Franks (resigned 18 September 2020)
D Bloomfield
G Screawn

Directors' indemnity

As at the date of this report, indemnities are in force between the Company and each of its Directors under which the Company has agreed to indemnify each director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out their role as a director of the Company. The Directors are also indemnified against the costs of defending any criminal or civil proceedings, or any claim in relation to the Company or brought by a regulator as they are incurred, provided that where the defence is unsuccessful the director must repay those defence costs to the Company. The indemnities are qualifying third-party indemnity provisions for the purposes of the Companies Act 2006. In addition, the Company maintained a Directors' and officers' liability insurance policy throughout the financial year and has renewed that policy.

Dividends

During the year, the Company paid the following dividends:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
25 January 2019	-	3,000
24 May 2019	-	650
22 July 2019	-	1,000
24 January 2020	2,500	-
30 July 2020	1,400	-
	3,900	4,650

UP Global Sourcing UK Limited

Directors' Report

Year ended 31 July 2020

Going concern

UP Global Sourcing UK Limited is part of the UP Global Sourcing Holdings plc Group which is funded by external banking facilities provided by HSBC. On 1 October 2019 the Group entered into a new five-year financing agreement with HSBC, providing the ongoing funding of the Group and comprising a revolving credit facility, an invoice discounting facility and an import loan facility. Taking account of these facilities and having considered future trading and cash flow forecasts, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

Donations

During the year, the Company made charitable donations of £47,646 (2019 – £9,340) principally to local charities serving the communities in which the Company operates. During the year, the Company made no political donations (2019 – £nil).

Policy on the payment of creditors

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

Branches

The Company has a presence in Guangzhou, China and in Cologne, Germany. The registered Representative Office in Guangzhou strengthens the Company's Far East sourcing and quality functions, managing orders with suppliers on a day-to-day basis as well as providing a Far East showroom. The registered branch in Cologne provides a showroom in Central Europe to further support the Company's international strategy.

Employment of disabled persons

Suitable procedures are in operation to support the Company's policy that disabled persons, whether registered or not, shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. Where members of staff become disabled every effort is made to ensure they are retrained according to their abilities.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

UP Global Sourcing UK Limited

Directors' Report

Year ended 31 July 2020

Financial instruments

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company's exposure to foreign currency risk is partially hedged by invoicing a proportion of its turnover in US Dollars. The Company mitigates exchange rate risk for certain foreign currency trade payables and receivables by entering into forward currency contracts.

The Company applies hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies and are designated as cash flow hedges for variations in exchange rates.

The Company's interest bearing liabilities expose it to the financial risks of changes in variable rate banking facilities. The Company has a policy of maintaining a portion of its banking facilities under the protection of interest rate swaps and caps to ensure the certainty of future interest cash flows.

Interest rate swaps and caps are held to manage interest rate exposures of floating rate borrowings. The interest rate swaps are designated as cash flow hedges.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company has taken the exemption available to subsidiary companies not to disclose information in respect of greenhouse gas emissions, energy consumption and energy efficiency action given that this is disclosed in the consolidated financial statements of its ultimate parent company, UP Global Sourcing Holdings plc.

Disclosure of information in the Strategic Report

The Companies Act 2006 s414C requires the directors to present a review of the business during the year to 31 July 2020 and of the position of the Company at the end of the financial year, together with a description of the principal risks and uncertainties faced. The Strategic Report can be found on pages 2 to 9 and is incorporated by reference into this Directors' Report.

UP Global Sourcing UK Limited

Directors' Report

Year ended 31 July 2020

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

UP Global Sourcing UK Limited

Directors' Report

Year ended 31 July 2020

Independent auditors

BDO LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

The Directors' Report was approved by the board of Directors on 11 December 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'G Screawn', written in a cursive style.

G Screawn
Director

UP Global Sourcing UK Limited

Independent Auditor's Report to the Members of UP Global Sourcing UK Limited

Year ended 31 July 2020

Opinion

We have audited the Financial Statements of UP Global Sourcing UK Limited (the "Company") for the year ended 31 July 2020 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

UP Global Sourcing UK Limited

Independent Auditor's Report to the Members of UP Global Sourcing UK Limited

Year ended 31 July 2020

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

UP Global Sourcing UK Limited

Independent Auditor's Report to the Members of UP Global Sourcing UK Limited

Year ended 31 July 2020

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Gary Harding (Senior Statutory Auditor)

For and on behalf of

BDO LLP

Statutory auditor

Manchester

12 December 2020

BDO LLP is a limited liability partnership registered in England & Wales (with registered number OC305127)

UP Global Sourcing UK Limited

Income Statement

Year ended 31 July 2020

	Note	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Revenue	4	115,684	123,257
Cost of sales		(89,084)	(96,013)
Gross profit		26,600	27,244
Administrative expenses		(17,555)	(18,389)
Other operating income	5	9	14
Profit from operations	6	9,054	8,869
Finance income	10	-	5
Finance costs	11	(1,049)	(1,123)
Profit before taxation		8,005	7,751
Taxation	12	(1,841)	(1,730)
Profit for the year		6,164	6,021

All the activities of the Company are from continuing operations.

UP Global Sourcing UK Limited

Statement of Comprehensive Income

Year ended 31 July 2020

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Profit for the financial year	6,164	6,021
Other comprehensive income		
<i>Items that may subsequently be reclassified to the income statement:</i>		
Fair value movements on cash flow hedging instruments	(978)	1,278
Hedging instruments recycled through the income statement at the end of hedging relationships	(1,278)	(847)
Other comprehensive income for the year	(2,256)	431
Total comprehensive income for the year	3,908	6,452

UP Global Sourcing UK Limited

Statement of Financial Position

Year ended 31 July 2020

	Note	As at 31 July 2020 £'000	As at 31 July 2019 £'000
Intangible assets	14	86	98
Property, plant and equipment	15	1,816	1,950
Total non-current assets		1,902	2,048
Current assets			
Inventories	16	16,022	20,399
Debtors	17	18,619	20,080
Cash at bank and in hand	18	224	46
Total current assets		34,865	40,525
Total assets		36,767	42,573
Creditors: amounts falling due within one year	19	(28,968)	(35,209)
Net current assets		5,897	5,316
Creditors: amounts falling due after more than one year	20	(160)	-
Total non-current liabilities		(160)	-
Total liabilities		(29,128)	(35,209)
Net assets		7,639	7,364
Share capital and reserves			
Called up share capital	24	-	-
Share premium	25	-	-
Share-based payment reserve	25	796	529
Hedging reserve	25	(978)	1,278
Retained earnings	25	7,821	5,557
Shareholders' funds		7,639	7,364

These Financial Statements were approved by the board of Directors and authorised for issue on 11 December 2020, and are signed on behalf of the board by:



G Screawn

Director

UP Global Sourcing UK Limited

Company registration number: 3357718

UP Global Sourcing UK Limited

Statement of Changes in Equity

Year ended 31 July 2020

		Share-based payment reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
At 1 August 2018		272	847	4,186	5,305
Profit for the year		-	-	6,021	6,021
<i>Other comprehensive income for the year:</i>					
Cash flow hedging movement		-	431	-	431
Total comprehensive income for the year		-	431	6,021	6,452
<i>Transactions with shareholders:</i>					
Dividends payable	13	-	-	(4,650)	(4,650)
Share-based payments		257	-	-	257
At 31 July 2019		529	1,278	5,557	7,364
Profit for the year		-	-	6,164	6,164
<i>Other comprehensive income for the year:</i>					
Cash flow hedging movement		-	(2,256)	-	(2,256)
Total comprehensive income for the year		-	(2,256)	6,164	3,908
<i>Transactions with shareholders:</i>					
Dividends payable	13	-	-	(3,900)	(3,900)
Share-based payments		267	-	-	267
At 31 July 2020		796	(978)	7,821	7,639

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

1. General information

The Company is a private company limited by shares, registered in England and Wales. The address of the registered office is Manor Mill, Victoria Street, Chadderton, Oldham, OL9 0DD.

The Company's principal activity is set out in the Directors' Report on page 10.

2. Statement of compliance

These Financial Statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the Companies Act 2006.

3. Accounting policies

Basis of preparation

These Financial Statements are prepared on the going concern basis, under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The Financial Statements are presented in Sterling, generally rounded to the nearest thousand.

The principal accounting policies are set out below. These policies have been applied on a consistent basis with the prior year.

Going concern

UP Global Sourcing UK Limited is part of the UP Global Sourcing Holdings plc Group ("the Group") which meets its day-to-day working capital requirements through its bank facilities with HSBC, which are subject to various facility limits and covenants. The Directors have considered the principal risks faced by the business and assessed the impact of severe but plausible downside scenarios, including the impact of a further extensive and prolonged lockdown as a result of COVID-19, having regard to the experiences from the initial period of lockdown earlier this year. In assessing whether the Group could withstand such negative impacts, the Directors have considered cash flow, impact on debt covenants and headroom against current borrowing facilities. The projections show that the Group will be able to operate within its existing banking facilities and covenants. Therefore, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for at least 12 months from the date of approval of these Financial Statements and, as a result, they have applied the going concern principle in preparing the Company's Financial Statements.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

3. Accounting policies (continued)

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. The smallest and largest group in which the Financial Statements are consolidated is headed by UP Global Sourcing Holdings plc. The Financial Statements of UP Global Sourcing Holdings plc are available on the Company's website at www.upgs.com. As such, advantage has been taken of the exemption available under paragraph 1.12 of FRS 102 and no cash flow statement has been presented for the Company. The Company has also taken the exemptions available with regards to the disclosure of financial instruments in section 11, paragraph 11.39 to 11.48A and other financial instruments in section 12 12.26 to 12.29.

Critical accounting judgements and estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are described below.

(i) Inventory provisioning

The Company sources, imports and sells products across a range of categories including audio, heating and cooling, housewares, laundry, luggage and small domestic appliances and is subject to changing consumer demands and trends. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods. The carrying amounts of inventory provisions are disclosed in note 16.

(ii) Customer rebates

The Company makes estimates of the amounts likely to be paid to customers in respect of rebate arrangements. When making these estimates, management takes account of contractual customer terms, as well as estimates of likely sales volumes, to determine the rates at which rebates should be accrued in the Financial Statements.

(iii) Customer returns and credit notes

The Company makes provisions for potential returns and credit notes to be issued to customers. In making such estimates management takes account of known customer claims, as well as potential claims based upon historical trends and experience within the business.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

3. Accounting policies (continued)

(iv) Share-based payments

Management Incentive Plan

The Management Incentive Plan ('MIP') was adopted on 28 February 2017 (see note 23) and takes the form of awards of A ordinary shares in UP Global Sourcing UK Limited, which may upon exercise of a put option, be converted into cash or shares in the parent, UP Global Sourcing Holdings plc. Exercise of the put option is subject to the share price of UP Global Sourcing Holdings plc exceeding a hurdle set at a 30 % premium to its Initial Public Offering ('IPO') price. At the point of exercise, the recipient will receive the value of the shares in either cash or shares in UP Global Sourcing Holdings plc, at the discretion of UP Global Sourcing Holdings plc, subject to a cap of 6.25 % of the issued share capital of UP Global Sourcing Holdings plc as at the date of the IPO. An assumption is required as to whether the recipient will receive either cash or shares and the assumption has been made that the recipient will receive shares. If the assumption was made that the recipient was to receive cash, then the fair value of the shares would be continually re-measured and an accrual would be included on the Statement of Financial Position.

Save As You Earn Scheme

The Save As You Earn ('SAYE') scheme was introduced on 11 February 2019 and 95 employees purchased 1,268,914 options over shares in the parent, UP Global Sourcing Holdings plc (see note 23). The options have vesting periods of 3 and 5 years. Key estimates included in the share-based payment charge include an employee retention rate of 70.0 %, a dividend yield rate of 4.9 % and volatility of 68.4 %. The estimate with the largest potential impact is the employee retention rate. If this rate was to increase by 5 % then the charge would increase by £13,000.

Performance Share Plan

The Performance Share Plan ('PSP') was introduced on 11 March 2019 and issued 1,120,000 share options over shares in the parent, UP Global Sourcing Holdings plc to 21 members of management (see note 23). The options have vesting periods of 3, 4 and 5 years and have various performance conditions. Key estimates included in the share-based payment charge include an employee retention rate of 83 % for some employees and 80 % for others, a dividend yield rate of 4.9 % and volatility of 66.5 %. The estimate with the largest potential impact is the employee retention rate. If the rate were to increase by 5 % then the charge would increase by £23,000.

Revenue recognition

Revenue is recognised once the risks and rewards of ownership have transferred. This can vary depending upon the method of dispatch. Revenue is recognised either on dispatch, receipt by customer or upon delivery to a transport company if appropriate insurance is in place. Revenue is measured as the fair value of the consideration received or receivable and represents the amount receivable for goods supplied and services rendered, net of returns and expected returns, discounts and rebates given by the Company to customers.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

3. Accounting policies (continued)

Rebates

Rebates payable to customers are recognised in line with relevant contractual terms. Rebates payable to customers are charged directly to the Income Statement over the period to which they relate and are recognised as a deduction from revenue.

Taxation

Current tax is based upon taxable income for the year and any adjustment to tax from previous years. Taxable income differs from net income in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible.

The calculation uses the latest tax rates for the year that have been enacted or substantively enacted by the dates of the Statement of Financial Position.

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation to pay more tax at the reporting date, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Financial Statements.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on an undiscounted basis.

Presentational currency

Items in the Financial Statements are measured using the currency of the primary economic environment in which the Company operates, which is Sterling (£).

Transactions and balances in foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the reporting date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

3. Accounting policies (continued)

Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the term of the relevant lease.

Dividends

Dividends are recognised as a liability and deducted from equity at the time they are declared. Otherwise dividends are disclosed if they have been proposed or declared after the year end and before the relevant Financial Statements are approved.

Goodwill

Goodwill represents the excess of the fair value of the consideration attributed to an acquisition in excess of the fair value of the net assets acquired at the date of acquisition.

Intangible assets

Intangible assets are initially recorded at cost and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	- Straight line over up to 10 years
Trademarks	- Straight line over 10 years

Amortisation is charged to administrative expenses.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

3. Accounting policies (continued)

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Fixtures, fittings and equipment	- 16 % - 50 % straight line
Motor vehicles	- 25 % straight line

Impairment of non-financial assets

At the end of each reporting period non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Income Statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the Income Statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Income Statement.

Inventories

Inventories are valued using a first in, first out method and are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in the normal course of business in bringing the products to their present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the Income Statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

3. Accounting policies (continued)

Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Income Statement.

ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

3. Accounting policies (continued)

ii) Financial liabilities (continued)

Derivatives are initially recognised at the fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Income Statement within finance costs or income as appropriate, unless they are included in a hedging arrangement. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Hedging arrangements

The Company applies hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies. Forward foreign exchange contracts are held to manage exchange rate exposures and are designated as cash flow hedges of foreign currency exchange rates.

The Company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, which are deemed to be effective, are recognised directly in equity within a cash flow hedging reserve. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change of the fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the statement of comprehensive income.

The gain or loss recognised in other comprehensive income is reclassified to the Income Statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the forecast debt instrument is derecognised or the hedging instrument is terminated.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

3. Accounting policies (continued)

Share-based payments

The Company issues share-based payments to certain employees and Directors. Equity-settled, share-based payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, along with a corresponding increase in equity.

At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of any revision is recognised in profit or loss, with a corresponding adjustment to equity reserves.

The fair value of share options is determined using a Monte Carlo model, taking into consideration the best estimate of the expected life of the option and the estimated number of shares that will eventually vest.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4. Revenue

Revenue arises from:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Sale of goods	115,684	123,257

The revenue is attributable to the one principal activity of the Company. An analysis of revenue by the geographical markets that substantially differ from each other is given below:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
United Kingdom	74,045	74,751
Europe	40,667	46,505
USA	403	1,053
Rest of world	569	948
	115,684	123,257

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

5. Other operating income

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Rental income	9	14

6. Operating profit

Operating profit is stated after charging/ (crediting):

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Amortisation of intangible assets	12	11
Depreciation of tangible assets	705	779
Equity-settled share-based payments expense	267	257
Operating lease rentals	912	920
Foreign exchange differences	(418)	129
Inventory recognised as an expense	78,219	87,125
Impairment of trade debtors	168	105
Impairment of inventory (included in 'cost of sales')	750	594

7. Auditor's remuneration

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Fees payable for the audit of the Financial Statements	33	32

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

8. Particulars of employees

The average number of persons employed by the Company during the year, including the Directors, amounted to:

	Year ended 31 July 2020	Year ended 31 July 2019
	No.	No.
Sales staff	66	61
Distribution staff	45	38
Administrative staff	171	160
	282	259

The aggregate payroll costs incurred during the year, relating to the above, were:

	Year ended 31 July 2020	Year ended 31 July 2019
	£'000	£'000
Wages and salaries	9,711	9,979
Social security costs	882	957
Other pension costs	236	197
	10,829	11,133

Included within wages and salaries above was £267,000 (2019 – £257,000) in respect of share based payments, details of which are given in note 23.

Other pension costs of £236,000 (2019 – £197,000) relate to defined contribution pension plans.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

9. Directors' emoluments

The Directors' aggregate remuneration in respect of qualifying services was:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Remuneration	840	1,599
Company contributions to defined contribution pension plans	19	40
	859	1,639

Remuneration of the highest paid director in respect of qualifying services:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Aggregate remuneration	345	709

The number of Directors who accrued benefits under company pension schemes was as follows:

	Year ended 31 July 2020 No.	Year ended 31 July 2019 No.
Money purchase schemes	3	3

The number of Directors who accrued benefits under the share-based payment schemes (see note 23) was as follows:

	Year ended 31 July 2020 No.	Year ended 31 July 2019 No.
Management Incentive Plan	3	2
Performance Share Plan	2	2

10. Finance income

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Interest on cash and cash equivalents	-	5

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

11. Finance costs

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Interest on banks loans and overdrafts	297	452
Interest due to group undertakings	600	600
Amortisation of debt issue costs	57	41
Other interest payable and similar charges	95	30
	1,049	1,123

12. Taxation expense on ordinary activities

Major components of tax expense

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Current tax:		
UK current tax expense	1,352	1,413
Adjustments in respect of prior periods	(40)	(46)
Total UK current tax	1,312	1,367
Foreign current tax expense	509	329
Total current tax	1,821	1,696
Deferred tax: .		
Origination and reversal of timing differences	22	14
Impact of change in tax rate	(8)	-
Adjustments in respect of prior period	6	20
Total deferred tax	20	34
Taxation expense on ordinary activities	1,841	1,730

The Company has received group relief during the period from other group undertakings. All group relief received is paid for in full and therefore has no net impact on the Company's tax charge for the period.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

12. Taxation expense on ordinary activities (continued)

Reconciliation of tax expense on profit

The tax assessed on the profit on ordinary activities for the year is higher than (2019 – higher than) the standard rate of corporation tax in the UK of 19 % (2019 – 19 %).

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Profit on ordinary activities before taxation	8,005	7,751
Profit on ordinary activities by rate of tax	1,521	1,473
Adjustment to tax charge in respect of prior periods	(34)	(26)
Effect of expenses not deductible for tax purposes	110	108
Impact of overseas tax rates	252	177
Effect of difference in corporation tax and deferred tax rates	(8)	(2)
Tax on profit	1,841	1,730

13. Dividends

During the year, the Company paid the following dividends:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
25 January 2019	-	3,000
24 May 2019	-	650
22 July 2019	-	1,000
24 January 2020	2,500	-
30 July 2020	1,400	-
	3,900	4,650

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

14. Intangible assets

	Goodwill £'000	Trademarks £'000	Total £'000
Cost			
At 1 August 2019	1,478	111	1,589
Additions	-	-	-
At 31 July 2020	1,478	111	1,589
Amortisation			
At 1 August 2019	1,478	13	1,491
Charge for the year	-	12	12
At 31 July 2020	1,478	25	1,503
Carrying amount			
At 31 July 2020	-	86	86
At 31 July 2019	-	98	98

Intangible assets primarily relate to the Kleeneze trademark. The amortisation charge reflects the spreading of the cost over this asset's remaining expected useful life of 7.8 years. The amortisation charge for the year has been included in administrative expenses in the Income Statement.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

15. Property, plant and equipment

	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 August 2019	4,751	68	4,819
Additions	561	40	601
Disposals	(128)	(31)	(159)
At 31 July 2020	5,184	77	5,261
Depreciation			
At 1 August 2019	2,815	54	2,869
Charge for the year	691	14	705
Disposals	(109)	(20)	(129)
At 31 July 2020	3,397	48	3,445
Carrying amount			
At 31 July 2020	1,787	29	1,816
At 31 July 2019	1,936	14	1,950

Included in property, plant and equipment are assets held outside the UK with a carrying amount at 31 July 2020 of £228,000 (2019 – £282,000).

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

16. Inventories

	2020	2019
	£'000	£'000
Goods for resale	16,022	20,399

Inventories are stated after provisions for impairment of £349,000 (2019 – £379,000).

17. Debtors

	2020	2019
	£'000	£'000
Trade debtors	17,979	17,807
Deferred tax asset (note 21)	53	73
Other debtors and prepayments	587	2,200
	18,619	20,080

All debtors fall due within one year of the reporting date.

Trade debtors are stated after provisions for impairment of £180,000 (2019 – £117,000).

18. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2020	2019
	£'000	£'000
Cash at bank and in hand	224	46

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

19. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans and overdrafts	3,903	13,073
Trade creditors	10,770	9,196
Amounts owed to group undertakings	6,038	6,166
Accruals and deferred income	7,466	5,800
Corporation tax	266	727
Social security and other taxes	525	247
	28,968	35,209

UP Global Sourcing UK Limited is part of the UP Global Sourcing Holdings plc Group which meets its day-to-day working capital requirements through its bank facilities with HSBC. These facilities were refinanced on 1 October 2019 under a five-year agreement which runs until 2024. At 31 July 2020, these facilities comprised a revolving credit facility of £8.2 m and an import loan facility of £8.7 m. The import loan facility is ancillary to the revolving credit facility, repayable on demand and subject to annual review.

Included within current bank loans and overdrafts is a gross amount of £3,903,000 (2019 – £6,339,000) due under an import loan facility which is secured by a general letter of pledge providing security over the stock purchases financed under that facility. Current bank loans and overdrafts also include a gross amount of £Nil (2019 – £6,509,000) due under invoice discounting facilities, which are secured by an assignment of, and fixed charge over, the Company's trade debtors.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

20. Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Bank loans and overdrafts	160	-
	160	-

The above bank loans and overdrafts are secured by fixed and floating charge over the assets of the Company and of the UP Global Sourcing Holdings plc Group in favour of HSBC, with HSBC having the benefit of cross-guarantees from the Company and UP Global Sourcing Holdings plc.

Total bank borrowings above are stated net of £51,000 (2019 – £Nil) of fees which are being amortised over the length of the relevant facility.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2020 £'000	2019 £'000
Included in debtors (note 17)	53	73

The deferred tax account consists of the tax effect of timing differences in respect of:

	2020 £'000	2019 £'000
Excess of depreciation over taxation allowances	(4)	54
Other timing differences	57	19
	53	73

The movement in the deferred taxation account during the period was:

	2020 £'000	2019 £'000
Balance brought forward	73	107
Movement arising during the period	(20)	(34)
Balance carried forward	53	73

Deferred tax assets in respect of the excess of depreciation over taxation allowances and other timing differences are expected to reverse in future periods.

22. Financial Instruments

Derivative financial instruments - Forward contracts

The Company mitigates the exchange rate risk for certain foreign currency trade debtors and creditors by entering into forward currency contracts. At 31 July 2020, the Company was committed to buy \$32,100,000 (2019 – \$35,500,000), to sell €23,025,000 (2019 – €16,050,000), to sell CA \$ (2019 – \$155,000) and to buy CNY 6,231,000 (2019 – CNY 7,960,000), paying and receiving respectively fixed Sterling amounts. At 31 July 2020, all the outstanding USD, EUR and CAD contracts mature within 12 months of the period end (2019 – 12 months). The CNY contracts, which are held to hedge a lease commitment, mature over the length of that lease ending in August 2023.

Forward currency contracts are valued using level 2 inputs. The valuations are calculated using the period end forward rates for the relevant currencies, which are observable quoted values at the period end dates. Valuations are determined using the hypothetical derivative method, which values the contracts based upon the changes in the future cash flows, based upon the change in value of the underlying derivative. The fair value of the contracts at 31 July 2020 is a liability of £1,335,000 (2019 – £1,240,000 asset).

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Year ended 31 July 2020

22. Financial Instruments (continued)

All of the forward contracts to buy US Dollars and some of those to sell Euros meet the conditions for hedge accounting, as set out in the accounting policies in note 3.

The fair value of forward contracts that are effective in offsetting the exchange rate risk is a liability of £975,000 (2019 – £1,276,000 asset), which has been recognised in other comprehensive income. This will be released to profit or loss at the end of the term of the forward contracts as they expire, being £957,000 within 12 months and £18,000 after 12 months (2019 – £1,257,000 within 12 months and £20,000 after 12 months). The cash flows in respect of the forward contracts will occur over the course of the period to August 2023 in accordance with the expiry of the contracts as noted above.

Derivative financial instruments - Interest rate swaps and interest rate caps

The Company has entered into interest rate swaps and interest rate caps to protect the exposure to interest rate movements on the various elements of its banking facility. As at 31 July 2020, protection was in place over an aggregate principal of £8,100,000 (2018 – £8,000,000).

Interest rate swaps and caps are valued using level 2 inputs. The valuations are based upon the notional value of the swaps and caps, the current available market borrowing rate and the swapped or capped interest rate respectively. The valuations are based upon the current valuation of the present saving or cost of the future cash flow differences, based upon the difference between the respective swapped and capped interest rates contracts and the expected interest rate as per the lending agreement.

All interest rate swaps meet the conditions for hedge accounting, as set out in the accounting policies in note 3. The fair value of variable to fixed interest rate swaps that are effective in offsetting the variable interest rate risk on variable rate debt is a liability of £3,000 (2019 – £2,000 asset), which has been recognised in other comprehensive income and will be released to profit or loss over the term of the swap agreements. The agreements expire by 28 February 2025. The cash flows in respect of the swaps occur monthly over the effective lifetime of the swaps.

The fair value of the interest rate caps was an asset of £20,000 (2019 – £24,000).

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

23. Share-based payments

1. Management Incentive Plan – 2017

On 28 February 2017, immediately preceding its parent company, UP Global Sourcing Holdings plc's listing on the main market of the London Stock Exchange, a Management Incentive Plan was adopted. The plan is structured as an award of A ordinary shares in UP Global Sourcing UK Limited. The rights attaching to the shares include a put option with a three-year vesting period that can be exercised up to seven years following the vesting date.

Exercise of the put option is subject to the share price of UP Global Sourcing Holdings plc exceeding a hurdle set at a 30 % premium to the IPO price. At the point of exercise, the recipient will receive the value of the A ordinary shares in either cash or shares in UP Global Sourcing Holdings plc, at the discretion of UP Global Sourcing Holdings plc, subject to a cap of 6.25 % of the issued share capital of UP Global Sourcing Holdings plc as at the date of the IPO.

The number and weighted average exercise price of the options in issue, based upon the conditions present at each year end were as follows:

	Number of shares under option 2020	Weighted average exercise price 2020	Number of shares under option 2019	Weighted average exercise price 2019
Outstanding at the beginning and end of the year	-	-	-	-

At 31 July 2020 and 31 July 2019, the share price had not met the hurdle price referred to above and, as a result, no shares are currently under option.

The options were valued using the Monte Carlo option pricing model. This model was deemed the most appropriate as it is capable of capturing market-based performance conditions and simulating a number of possible outcomes, allowing the value of each outcome to be assessed.

The total expense recognised for the year ended 31 July 2020 relating to the MIP share-based payments was £111,000 (2019 – £192,000).

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

23. Share-based payments (continued)

2. Save As You Earn ('SAYE') option scheme - 2019

On 13 February 2019, a SAYE scheme was introduced with all employees being able to participate in the scheme. This is a savings related scheme, where the employer deducts a fixed monthly amount from employees' salaries and after a period of 3 years (chosen by the majority of employees) or 5 years (chosen by a smaller number of employees), the employee can then purchase shares in UP Global Sourcing Holdings plc for a fixed exercise price. Employees can contribute anything from £10 to £250 per month to the scheme. The Remuneration Committee will consider making further invitations to participate in the scheme on an annual basis. Upon the introduction of the scheme, options over 1,268,914 shares were granted to 95 employees. No additional options were issued during the year ended 31 July 2020.

	Number of shares under option 2020	Weighted average exercise price 2020	Number of shares under option 2019	Weighted average exercise price 2019
Outstanding at the beginning of the period	1,268,914	£0.4930	-	-
Granted during the year	-	-	1,268,914	£0.4930
Lapsed during the year	(121,660)		-	-
Outstanding at the end of the year	1,147,254	£0.4930	1,268,914	£0.4930

The weighted average contract length on the options in the SAYE scheme was 1.7 years (2019 – 2.7 years).

The options were valued using the Black Scholes option pricing model. The inputs to the Black Scholes model were as follows:

SAYE options at 31 July 2020:

Share price at the date of grant	£0.4930
Fair value at the year end - 3 years	£0.2017
Fair value at the year end - 5 years	£0.2152
Exercise price	£0.3950
Time to expiry (years)	3 and 5
Risk-free rate - 3 years(%)	0.905
Risk-free rate - 5 years(%)	0.784
Volatility (%)	68.4
Dividend yield (%)	4.9
Employee retention rate (%)	70

Volatility is measured using a weekly share price for the 52 weeks prior to the date of grant. The risk-free rate is derived using a 3 and 5 year gilt rate.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

23. Share-based payments (continued)

The total expense recognised for the year ended 31 July 2020, relating to SAYE share-based payments, was £56,000 (2019 – £26,000).

3. Performance Share Plan ('PSP') option scheme - 2019

On 11 March 2019, options were issued to certain members of management with performance conditions attached. The PSP allows for awards to be granted in various forms, and these options took the form of both tax-advantaged CSOP options and unapproved share options in order to maximise tax efficiency for the Company and employees whilst delivering, in effect, a nil cost option in line with the intention of the Remuneration Committee and standard market practice. A CSOP option was granted to all employees that were eligible (i.e. those other than the employees based overseas) ('the CSOP options').

As CSOP shares can only be issued up to a maximum market value at the date of grant of £30,000, and in some cases a larger benefit was required, a top-up nil cost unapproved option was granted to certain employees.

The intention of the Remuneration Committee was to grant awards with a nil exercise cost to the employee, however, under the CSOP scheme, the legislative requirements mean that these options must have an exercise price equal to the market value of a share at the date of grant. The Remuneration Committee therefore decided to issue additional options in a parallel scheme, which are classed as unapproved options. The aim of this scheme is to compensate employees for the exercise price of £0.5917 multiplied by the number of shares obtained by exercising the CSOP options. The number of shares to be exercised in this scheme will depend on the number of shares options that are exercised in the CSOP scheme and the market price of the shares at the date of exercise.

The calculation of the share-based payment charge for the above has treated each part of the scheme separately. The CSOP and top-up options have been calculated using the Black Scholes model using the assumptions listed below.

Due to the nature of the parallel options, they have been valued at the expected value that they are expected to give to the employee, which is the exercise price of £0.5917 multiplied by the number of options that are expected to be exercised.

	Number of shares under option 2020	Weighted average exercise price 2020	Number of shares under option 2019	Weighted average exercise price 2019
Outstanding at the beginning of the period	1,120,000	-	-	-
Granted during the year	-	-	1,120,000	-
Outstanding at the end of the year	1,120,000	-	1,120,000	-

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Year ended 31 July 2020

23. Share-based payments (continued)

The weighted average contract length on the options in the PSP scheme was 2.9 years (2019 – 3.9 years).

The options were valued using the Black Scholes option pricing model. The inputs to the Black Scholes model were as follows:

CSOP options at 31 July 2020:

Share price at the date of grant	£0.6140
Fair value at the year end - 3 years	£0.2178
Fair value at the year end - 4 years	£0.2326
Fair value at the year end - 5 years	£0.2414
Exercise price	£0.5917
Time to expiry (years)	3, 4 and 5 years
Risk-free rate - 3 years (%)	0.905
Risk-free rate - 4 years (%)	0.850
Risk-free rate - 5 years (%)	0.784
Volatility (%)	66.5
Dividend yield (%)	4.9
Employee retention rate (%)	83 % for employees in tiers 1 and 2 80 % for other employees

Top-up options at 31 July 2020:

Share price at the date of grant	£0.6140
Fair value at the year end - 3 years	£0.5294
Fair value at the year end - 4 years	£0.5039
Fair value at the year end - 5 years	£0.4796
Exercise price	Nil
Time to expiry (years)	3, 4 and 5 years
Risk-free rate - 3 years (%)	0.905
Risk-free rate - 4 years (%)	0.850
Risk-free rate - 5 years (%)	0.784
Volatility (%)	66.5
Dividend yield (%)	4.9
Employee retention rate (%)	83 % for employees in tiers 1 and 2 80 % for other employees

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

23. Share-based payments (continued)

Parallel options at 31 July 2020:

Share price at the date of grant	£0.6140
Fair value	£0.5917
Exercise price	Nil
Time to expiry (years)	3, 4 and 5 years
Risk-free rate - 3 years (%)	N/A
Risk-free rate - 4 years (%)	N/A
Risk-free rate - 5 years (%)	N/A
Volatility (%)	N/A
Dividend yield (%)	4.9
Employee retention rate (%)	83 % for employees in tiers 1 and 2 80 % for other employees

The total expense recognised for the year ended 31 July 2020, relating to the PSP share-based payments, was £100,000 (2019 – £39,000).

24. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No.	£'000	No.	£'000
Ordinary shares of £1 each	100	-	100	-
A Ordinary shares of £0.10 each	100	-	100	-
	200	-	200	-

The A Ordinary shares have no voting rights. Dividends may only be paid to the holders of A Ordinary shares with the consent of the parent company, UP Global Sourcing Holdings plc. There are no further restrictions on the distribution of dividends and the repayment of capital.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

25. Reserves

Share Premium

Consideration received for shares issued above their nominal value net of transaction costs.

Share-based Payments Reserve

The cumulative share-based payment expense.

Hedging Reserve

Gains and losses arising on forward currency contracts and on fixed to floating interest rate swaps that have been designated as hedges for hedge accounting purposes.

Retained Earnings

Cumulative profit and loss net of distributions to owners.

26. Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2020 £'000	2019 £'000
Not later than 1 year	853	885
Later than 1 year and not later than 5 years	1,664	1,813
	2,517	2,698

27. Contingencies

The Company is jointly and severally liable for all amounts owed in respect of bank loans by its parent undertaking, UP Global Sourcing Holdings plc, under a cross-guarantee, which at 31 July 2020 amounted to £13,000 (2019 – £1,250,000).

28. Ultimate parent company

The immediate and ultimate parent undertaking is UP Global Sourcing Holdings plc, a company incorporated in the United Kingdom, which is the parent undertaking of the smallest and largest group to consolidate these Financial Statements.

Copies of UP Global Sourcing Holdings plc's consolidated Financial Statements are available on the Company's website at www.upgs.com.

29. Ultimate controlling party

The Company is controlled collectively by the holders of the ordinary shares of the parent company, and accordingly there is no ultimate controlling party.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2020

30. Related party transactions

Transactions with related companies:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Rent paid to Heron Mill Limited	285	285
Rent paid to Berbar Properties Limited	135	180

No balances in respect of related companies were outstanding at the end of either year.

The above companies are related due to common control and Directors. Barry Franks, Andrew Gossage and Simon Showman are Directors of Heron Mill Limited. Barry Franks (15 ordinary shares of £1.00 each), Simon Showman (50 ordinary shares of £1.00 each) and A&T Property Investments Limited (20 ordinary shares of £1.00 each) are also shareholders of Heron Mill Limited. Andrew Gossage is a director of A&T Property Investments Limited. Barry Franks is a director and the sole shareholder of Berbar Properties Limited.

The Company has taken advantage of the exemption available under FRS102 in order not to disclose transactions with other wholly owned group companies.

No balances in respect of Directors were outstanding at the end of the year. During the year, Directors purchased goods from the Company. The total for all Directors amounted to £476 (2019 – £1,145).

31. Post balance sheet events

During the year, the Company claimed £466,000 under the Government's Coronavirus Job Retention Scheme. As the Company's profitability and cash generation for the year was stronger than initially expected, the Directors took the decision in August 2020 to repay this money. The £466,000 was repaid on 11 September 2020.